

Libstar eyes pet, health food acquisitions for growth

By [Ngobile Dlodla](#)

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South African food producer Libstar is pursuing acquisitions in health and pet foods, its chief executive said on Wednesday, 16 March, as it looks to grab a slice of growth in both sectors.



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Increased pet ownership, the 'humanisation of pets' and a shift towards premium pet products are driving global growth in the pet care industry, analysts say, and this is attracting burgeoning investor interest.

In South Africa, the pet care market is expected to grow to more than R8.5bn by 2025, data from Euromonitor International reported by *Business Insider* shows.

And as consumers continue to be more health-conscious about what they eat, options such as vegan products are in demand.



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"Since Covid there has been a massive rise in the categories of baby as well as pet food. We're finding that this gives a nice opportunity to move into adjacent categories that we haven't played in," Libstar's chief growth officer Johan Greeff told Reuters in an interview.

The acquisitions will be done through a new incubator vehicle called Libstar Nova, which completed its first acquisition of frozen baby food maker Umatie in January, Libstar CEO Andries van Rensburg told analysts.

Grappling with inflation

Libstar, which reported an 18.8% jump in annual normalised headline earnings per share, is grappling with inflation as raw materials, packaging, energy, transport and labour costs surge.

Lower export margins and rapidly rising costs amid volatility in local and international supply chains, saw gross profit margin decline to 23% from 24.4% in the year ended 31 December.

"The immediate impact of these cost increases was exacerbated, as there is a timing lag between the increases and their recovery through selling price increases," the maker of Denny Mushrooms and Lancewood dairy said.



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In its new financial year, Libstar is targeting improved normalised earnings before interest, tax, depreciation and amortisation margins in its perishables and baking and baking aids categories, "albeit towards the lower end of the stated ranges," of 10%-13% and 12%-15%, respectively, chief financial officer Charl de Villiers said.

Libstar will implement further price increases to offset rising costs, while also managing margins and costs through manufacturing efficiencies, van Rensburg said.

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